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State Treasurer Will Ask Retirement Boards to Become Active in Voting Proxies

When: Thursday, June 5, 1:30 P.M. Conference Room 1, Lower Level, 133 State Street, Montpelier, VT. For More Information, call 802-828-2301.

Montpelier – Over the past two years, the misdeeds and subsequent financial implosions of Enron, WorldCom, Global Crossing, and other large corporations have served as startling wake-up calls to institutional investors throughout the U.S. As a result, large equity shareholders of all stripes have begun to pay much closer attention to corporate governance issues, with many now playing an active role to influence corporate behavior.

State Treasurer Jeb Spaulding will urge a joint meeting of the state's three pension boards (State Employees, Municipal Employees, and Teachers) on June 5th to "take a good hard look" at how the pension plans should approach corporate governance issues and "proxy voting." The joint meeting of the three retirement boards will include a panel presentation by experts who will explore the various alternatives that shareholders can use to vote corporate proxy resolutions. Historically, all three pension funds have played a passive role in this regard by allowing pension fund managers the latitude to vote proxies as they see fit.

Spaulding will demonstrate to board members how Vermont's different fund managers often vote in a contradictory manner on the exact same questions for the exact same companies. For example, at the IBM annual meeting on April 29, 2003, one of the teacher retirement system fund managers voted Vermont's proxies for a shareholder resolution to ask the company to adopt a policy on expensing the cost of stock options, and one of the System's managers voted Vermont's proxies against the same proposal. At the May 28, 2003, ExxonMobil annual meeting, one of Vermont's pension fund managers voted Vermont's proxies for a shareholder resolution to add "sexual orientation" to that company's non-discrimination policy; another voted against this proposal.

Spaulding, an advocate of a more activist approach to proxy voting, will point out that it is the Vermont pension systems that have the right and obligation to vote on such questions, not the money managers. He will state that institutional investors should demand corporate responsibility and accountability. "We are part owners of these companies and we should diligently vote our shareholder proxies, and even occasionally co-sponsor shareholder resolutions, to support responsible corporate practices, he said. "This isn't just our right, it is our obligation."

The retirement boards, along with the State Treasurer, administer approximately two billion dollars in pension funds.

The June 5th meeting will be held in Conference Room # 1 in the State Office Building at 133 State Street, at 1:30 PM. Spaulding says he is hopeful that the three boards will take action to address the proxy question on the 5th. Speakers at the meeting will include Peter Kinder, President of KLD Research & Analytics, as well as Rob Kellogg and Joe Henzlik from Institutional Shareholder Services.

Other agenda items include a discussion of unitizing the pension funds, a practice that could lead to substantial cost savings for the retirement systems.

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